

## **Market Orientation in Higher Education: Variation on a Theme**

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### **Abstract**

*Early studies in market orientation dealt with if and how market orientation might prove to be a sustainable strategy for superior performance in the business enterprise. Later in the development of market orientation theory and practice, the strategy began to be studied in nonprofit organizations. This manuscript continues the research concerning market orientation in nonprofit organizations, specifically in university business schools. The research reports the results of a national survey examining the levels of reported market orientation toward students and explores its impact on business school performance for both private schools and public schools. Specifically the research seeks to determine if private business schools and public business schools exhibit differing levels of market orientation and if so, do these differing levels impact organizational performance (a variation on the market orientation theme). The business schools studied were all members of AACSB and all were located in the United States. The manuscript details the data collection and analysis processes, statistical findings, implications for business schools, limitations of the study, and a call for future research.*

### **Introduction**

In marketing literature concerning the business enterprise, the establishment and use of a market orientation strategy has been shown to increase levels of organizational performance. The strategy termed market orientation is described as an organizational culture in which everyone in the organization is committed to the customer and adapts in a timely manner to meeting the changing needs of the customer. Market orientation blends a company culture dedicated to providing superior value with successfully achieving a customer focus, acquiring competitor intelligence, and maintaining interfunctional coordination. Market orientation may be viewed as the implementation of the marketing concept. More recently, market orientation has begun to be studied in the no business sector to ascertain if the same advantages of the strategy apply within the nonprofit sector to include organizations of higher education. This paper continues the investigation of the potential advantage of employing a market orientation strategy within the nonprofit sector of higher education. We measure the level of market orientation toward students within AACSB schools of business as reported by marketing department leaders and investigate the impact, if any, on business school performance. Additionally, this research specifically delves into market orientation differences that may exist between public business schools and private business schools as perceived by their marketing department leaders, a variation on the market orientation theme within higher education.

### **Discussion and Literature Review**

The term “market orientation” refers to the extent that an organization uses the marketing concept; Kohli and Jaworski describe the processes required to engender a market orientation as a “distinct form of sustainable competitive advantage” (1990). They state that market orientation consists of “the organization wide generation, dissemination, and responsiveness to market intelligence” (1990).

Narver and Slater agreed with Kohli and Jaworski, proposing three behavioral components (customer orientation, competitor orientation, interfunctional coordination) that “comprehend the activities of marketing information acquisition and dissemination and the coordinated creation of customer value” (1990).

Both early and continuing studies of market orientation in the business sector have demonstrated time and again that employing a market orientation strategy leads to a sustainable high level of organizational performance. Beginning in the 1990s and continuing today, studies have shown that high levels of market orientation whether in production businesses, service businesses, or even franchising businesses, lead to a greater ability of business organizations to achieve their objectives and attain higher levels of performance. (See Kohli and Jaworski 1990; Narver and Slater 1990; Jaworski and Kohli 1993; Slater and Narver 1994; Sigauw, Brown, and Widing 1994; Shuham, Rose, and Kropp 2005; Haugland, Myrtveit, and Nygaard 2007; Mamat and Ismail 2011; Lee, Kim, Seo, and Hight 2015; and Mahmoud 2016). These referenced studies include both national and international studies indicating the international application of the market orientation strategy. Performance excellence is sought not only in business organizations but in the nonprofit sector as well, including higher education organizations. College and university schools of business seek formal accreditation from outside organizations to indicate to themselves and outside stakeholders that they are performing at a high level. The premier business school accrediting organization is the AACSB-International (the Association to Advance Collegiate Schools of Business-International).

Business school accreditation (a mark of high performance) has been in existence via AACSB for more than 100 years. However, only recently has the study of market orientation impacts on performance been introduced into the higher education marketing literature. Hammond, Webster, and Harmon in 2006 demonstrated correlation between market orientation and organizational performance. From there, others have continued to research market orientation effects on performance and have found that there is causal effect in many college and university settings, both in the United States and in other countries as well. (See Hemsley-Brown and Oplatka 2010; Webster, Hammond and Rothwell 2010; Kuster and Aviles-Valenzuela 2010; Ma and Todorovic 2011; Zakaria, Roslin, and Daud 2011; Webster and Hammond 2012; and Tran, Blankston, and Roswinanto 2015). This study is an extension of previous research in which we investigate the impact on perceived business school performance of these organizational behaviors as reported by marketing department chairs of AACSB member schools. Then, we separate the respondents into two groups, private schools and public schools and research the following questions.

### ***Research questions***

The objectives of this study are to answer the following research questions:

1. Can existing scales be reworded and used to produce reliable and valid measurements of market orientation and overall performance in the context of the university business school setting?
2. What are the mean levels of market orientation toward students and the organizational performance levels reported by the marketing department chairs (by all chairs, private school chairs and public school chairs)? Are mean scores different for private school and public school marketing chairs for the market orientation and organization performance variables?
3. Do levels of market orientation toward students impact the level of reported organizational performance within business schools belonging to AACSB?
4. Do levels of reported market orientation toward students impact the levels of reported organizational performance differently for private schools than public schools of business belonging to AACSB?

To address Research Question 1, we reworded Narver and Slater’s (1990) market orientation scale. Narver and Slater explain that this scale, consisting of three behavioral components, is also consistent with the findings of Kohli and Jaworski (1990). The behavioral components of the scale include the activities described by Kohli and Jaworski (1990). The two sets of authors agreed that market orientation is continuous rather than dichotomous and is properly measured in terms of behaviors and activities instead of “philosophical notions.” “Overall performance” is measured using a slightly modified Jaworski and Kohli (1993) two-item measure that is based on executive opinion of performance. In this study executive opinion comes from marketing department leaders of AACSB member schools. This measure incorporates differences in performance goals that exist from school to school by simply requesting that the marketing department chairs indicate the recent overall performance of the school of business, from poor to excellent.

Research question 1 is addressed through psychometric analysis of the scales. The scales and their development are more fully discussed in the Methodology section of this paper and the psychometric analysis is addressed in the Results section.

To answer question 2, the mean scores for the market orientation dimensions are computed for the private schools and public schools and the same is accomplished for the overall performance variable. Comparisons of the variables are then made by way of a series of t-tests for significant statistical differences. To address question 3, regression models are constructed and analysis of variance of the regression models is undertaken to determine if the independent variables, those being the three constructs of market orientation (customer orientation, competitor orientation, and interfunctional coordination), have a significant statistical effect on the dependent variable, organizational performance. To address question 4, regression models are constructed and analysis of variance of the regression models is undertaken to determine if the independent variables, those being the three constructs of market orientation (customer orientation, competitor orientation, and interfunctional coordination), have a significant statistical effect on the dependent variable, organizational performance for both private business schools and public business schools belonging to AACSB.

### ***Methodology***

Data for the study were collected by way of a mailed survey. Marketing department leaders were asked to complete the surveys and return them in business reply envelopes that were provided. Of the total survey instruments mailed, 94 were completed and returned. Of the 94 responses received, 63 were from public school marketing leaders and 31 were from private school marketing leaders. The overall response rate was approximately 24%. To measure market orientation, we chose Narver and Slater's (1990) construct (MKTOR), which consists of several questions addressing specific behaviors and activities which, together, measure the extent that the organization (the university business school, in this case) applies the marketing concept. A seven point response scale is used ranging from one (1) "not at all" to seven (7) "to an extreme extent." Scores above the midpoint (4.0) indicate application by the respondent of the marketing concept; scores below the midpoint indicate a lack of application by the respondent. Questions from the original scale were modified somewhat to conform to the vocabulary prevalent in academic institutions. We combine the questions to form three subscales that measure the market orientation components (customer orientation, competitor orientation, and interfunctional coordination), matching Narver and Slater's methodology. The subscales combine to form an overall measure of market orientation, also matching Narver and Slater's methodology. The questions and explanatory information about the survey questions may be found in appendix 1 at the end of the paper.

"Overall performance" is measured using the modified Jaworski and Kohli (1993) two-item measure that is based on executive opinion of performance. No specific performance goals are assumed for the respondents. Each respondent is requested to answer the two questions about actual recent overall performance relative to the expectations and performance goals of their organization, in this case the business school. Responses on the seven point scale range from poor (1) to excellent (7). The questions and explanatory information about the survey questions may be found in appendix 2 at the end of the paper. Slater and Narver (1994) defend the use of subjective performance measures, noting that the measures "are used commonly in research on private companies or business units of large corporations" as well as the "strong correlation between subjective assessments and their objective counterparts" indicated in previous research.

### ***Results***

After receiving the surveys back from the respondents, the market orientation scale was subjected to reliability analysis, exploratory factor analysis and confirmatory factor analysis (Marsh & Hocevar 1985; Bentler 1990; and Browne & Cudeck 1993; Wheaton, Muthen, Alwin, & Summers 1997). Results of these analyses indicated satisfactory reliabilities (ranges from .73 to .91), satisfactory item-to-total correlations (ranges from 0.4 to 0.8), exploratory factor loadings ranging from 0.5 to 0.8, and confirmatory factor loading ranging from 0.38 to 0.82. Additionally, the confirmatory factor analysis demonstrated generally acceptable fit. These test results included comparative fit index measures ranging from .784 to 1.000, a Tucker-Lewis index ranging from .702 to 1.000, and the CMIN/DF ranging from 2.05 to 2.56. The RMSEA low values at the 90% confidence interval fell below 0.10 for all scales. The Pearson correlation coefficient for the two-item overall performance scale was computed to be .709 (sign. .000), indicating reliability for this two-item scale. These results indicate that research question 1 may be answered in the affirmative.

After reporting the descriptive statistics for the three groups shown in Table 1 below, t-tests were performed to test for differences in mean scores between the private school and public school marketing department leaders. The results showed that the differences in mean scores between the private and public school marketing department leaders were not statistically significant at the 0.05 level, although for each of the four market orientation measures the mean scores are higher for the private school marketing department leaders than the public school marketing department leaders. The mean score for public school marketing department leaders was found to be higher than for the private school leaders for the performance variable. The t-test for the performance variable found there was not a statistically significant difference between the mean scores of the public and private school respondents at the 0.05 level.

**Table 1 descriptive statistics mean scores for market orientation constructs (3), overall market orientation, and performance indicator for AACSB1.marketing chairs total / 2.private school/ 3. Public school  
7 POINT SCALE, N=94/31/63**

Description	Mean	Std. Dev.	N
MO-Customer	4.72/4.83/4.67	0.909/0.932/0.900	94/31/63
MO-Competition	3.46/3.58/3.41	1.030/1.137/0.976	94/31/63
MO-Coordination	3.97/4.04/3.94	1.073/0.989/1.119	94/31/63
MO-Overall	4.05/4.15/4.01	1.004/0.929/0.813	94/31/63
PERFORMANCE	5.43/5.23/5.53	1.103/1.178/1.058	94/31/63

To investigate the explanatory power of market orientation on performance, a set of regression models were developed and analyzed. These regression equations are described and explained below. Following the descriptions of the regression models is a discussion of the results of the various models.

The regression models developed to answer research questions 3 and 4 were:

$Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3$  where:

Y=mean score of the two-item performance scale as reported by (1) marketing chairs in total,(2) public school marketing chairs, (3) private school marketing chairs  
 $b_0$ =intercept

$x_1$ =mean score of the customer orientation construct as reported by the marketing department chairs by group 1,2,3

$x_2$ =mean score of the competitor orientation construct as reported by the marketing department chairs by group 1,2,3

$x_3$ =mean score of the interfunctional coordination construct as reported by the marketing department chairs by group 1,2,3

Tables 2, 3, and 4 that follow present the results of the analysis of variance of the regression equations. As can be seen below, all three of the regression models are statistically significant in that all show that organizational performance is positively affected by market orientation scores. These models and the analysis that follow provide insight and answers to research questions 3 and 4.

**Table 2 analysis of variance of the regression model market orientation component scores effect on performance as reported by AACSB marketing department chairs**

N=94		
Source	F	Significance
Model	7.599	.000
MO/Cust	9.462	.003
MO/Comp	.007	.934
MO/Coord	.612	.436

\*R Squared=.202 (Adjusted R Squared=.196)

**Table 3 analysis of variance of the multiple regression model market orientation component scores effect on performance public school AACSB marketing department chairs N=63**

Source	F	Significance
Model	2.609	.008
MO/Customer	2.624	.483
MO/Competition	0.925	.072
MO/Coordination	1.473	.845

\*R Squared=.193 (Adjusted R Squared=.149)

**Table 4 analysis of variance of the multiple regression model market orientation component scores effect on performance private school AACSB marketing department chairs N=31**

Source	F	Significance
Model	11.245	.000
MO/Customer	9.372	.005
MO/Competition	0.658	.424
MO/Coordination	0.092	.764

\*R Squared=.555 (Adjusted R Squared=.506)

### **Implications**

This research finds that a market orientation strategy (or culture) as defined in the marketing literature does indeed have explanatory power as far as organizational performance is concerned, at least as reported by the marketing department leaders. The research findings demonstrate in a rather dramatic manner that market orientation toward students has a significantly higher explanatory impact on performance within the private school sector. The marketing department leaders of public schools of business reported lower levels of market orientation in their organizations than did their counterparts in the private school sector, although the differences in market orientation scores were not statistically significant. What was of significance, however, was the explanatory effect on performance. The adjusted R Squared for the private schools was 0.506 and for the public schools the figure was 0.149. This may signal that the marketing department leaders of private schools have a mindset more like those of their business counterparts rather than the marketing department leaders of public schools. Private schools must rely more on business type methods to survive and flourish. Public schools have the luxury of being supported by government monies to a large extent. However, in both the public and private school arenas, significant opportunity would seem to exist to improve business school performance for schools that will put more effort into a market orientation strategy. As students of the university may be viewed as the most visible of the numerous markets served, market orientation efforts focused at students would seem to have the potential for the fastest and highest payoff. Examples of such payoffs, all of which might correctly be viewed as performance indicators might include:

1. Enrollment increases within the business school and marketing department
2. Attracting an increase in the number of business/marketing majors
3. Higher retention rates of current business/marketing students
4. Increasing the number and percentage of business and marketing graduates

In view of the findings of the vast preponderance of the literature that enhanced levels of market orientation will improve the competitive advantage of organizations, business schools appear to be organizations ripe to take advantage of the market orientation concept. Focus on creating a market orientation culture should serve both schools and their various stakeholders, not just students, in more effectively achieving marketing department and business school objectives. Our conclusions are tempered by the findings of Noble, Sinha, & Kumar (2002) and Haugland, Myrtveit, & Nygaard (2007) that there appears to be no single strategic orientation that leads to superior performance in every case; and building a market orientation culture within an organization is not a quick fix but rather a continuous process.

## ***Future Research***

The research we report leaves open several related areas of interest for additional study. For example, do market orientation levels vary between different levels of administrative responsibility within the business school or university at large? Other examples include research to determine the impact or influence that variables such as size of a school, school affiliation (AACSB, ACBSP, or neither), admission standards, placement efforts, or recruiting efforts may have on market orientation. Also, research on other stakeholders such as parents of students, employers of students, and alumni associated with schools of business would be useful. Additionally, testing market orientation impacts on objective performance measures would further the market orientation research stream. Such research would further our understanding of market orientation and its applications in higher education.

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## **Appendix 1**

Market Orientation Survey Questions Sent to Marketing Department Chairs of AACSB Schools of Business

1. Our objectives are driven by satisfaction of our students.
2. We measure satisfaction of our students systematically and frequently.
3. Those responsible for recruiting students regularly share information within our business school/institution concerning competitor's strategies.
4. Our market strategies (such as recruiting and retention) are driven by our understanding of the possibilities for creating value for our students.
5. We respond rapidly to competitive actions that threaten us.
6. We constantly monitor our level of commitment and orientation to students.
7. University administration regularly discusses competitors' strengths and strategies.
8. All levels of administration understand how the entire institution can contribute to creating value for students.
9. We give close attention to service of students after enrollment.
10. Our strategy for competitive advantage is based on our understanding of our students needs.
11. We encourage other staff and faculty outside of recruiting/administration to meet with our prospective students.
12. All of our departments are responsive to and integrated in serving students.
13. Information on recruiting successes and failures are communicated across functions in the business school/institution.
14. We share information and coordinate resource use with other units in the institution.
15. We target potential students where we have, or can develop a competitive advantage.

Each question answered on a 7 point scale: 1=Not at All, 7=To an Extreme Extent. Questions 1, 2, 4, 6, 9, and 10 relate to the Customer Orientation construct/dimension, Questions 3, 5, 7, 11, and 15 relate to the Competitor Orientation, Questions 8, 12, 13, and 14 relate to Organizational Coordination. The Overall Marketing Orientation score is computed by averaging the mean scores of the other three sets of questions.

## **Appendix 2**

Performance Measurement Questions Sent to Marketing Department Chairs of AACSB Schools of Business

1. Overall performance of the school of business last year was.
2. Overall performance of your school of business relative to major competitors last year was. Both questions answered on a 7 point scale: 1=Poor, 7=Excellent